

C-O-N-F-I-D-E-N-T-I-A-L

ECONOMIC VULNERABILITY OF NORTH VIETNAM
TO PROPAGANDA

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FOREWORD

This report is limited to a discussion of US propaganda themes to be found in the economic situation in North Vietnam (Democratic Republic of Vietnam -- DRV). Thus, many potentially good propaganda themes -- such as the persecution of Catholics and tribal minorities by the DRV, the lack of political and personal freedom in North Vietnam, and the subordination of national political objectives (for instance, the reunification of Vietnam) to the over-all interests of the Communist Bloc -- are beyond the scope of the report.

The purpose of the report is to point out ways in which US propaganda can exploit the weak points in the Communist direction of the DRV economy. Accordingly, developments favorable to the North Vietnamese regime have not been presented. Within the framework of themes selected for discussion, however, the attempt has been to present the facts accurately and completely, according to the best information available.

In every case, the target audience of the propaganda is assumed to be the North Vietnamese people. Although in many cases these same themes could probably be used effectively in other Bloc countries and even in non-Bloc countries (such as South Vietnam) as anti-Communist propaganda, the economic conditions described all have special relevance to the every-day experience of the average North Vietnamese. Where a certain group -- such as the farmers or the urban population -- should be particularly receptive to a given propaganda theme, that group has been singled out as the appropriate target.

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The selection of propaganda themes for this report rests on the assumption that US propaganda directed to North Vietnam should aim at driving a wedge between the North Vietnamese people and the Communist regime. Thus, the separate propaganda themes all highlight some aspect of the DRV's economic program that suggests that the regime is not primarily concerned with the economic well-being of the people, that, in fact, it at times works at cross-purposes with the real interests of the people.

Because this propaganda is intended for the North Vietnamese people and is designed to stimulate their hatred and contempt for the regime, this paper has included international comparisons (in which North Vietnam's economy might be compared unfavorably with that of some other country) only as background information. If US propaganda were primarily intended to convince the Indians or the South Vietnamese of the advantages of a free, competitive economic system, then it might be well to point out the comparatively poor showing of North Vietnam's socialized agriculture. But it hardly seems convincing to tell the North Vietnamese about South Vietnam's greater success in agricultural production or the relatively higher standard of living of its people. Such a propaganda theme is outside their normal experience to confirm or deny and in the absence of first-hand knowledge of the economic situation in South Vietnam, they are likely to be suspicious of such a claim. Therefore, the propaganda themes presented in this paper are directly concerned only with domestic economic conditions that have an immediate bearing on the lives of the North Vietnamese people.

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Although the over-all classification of this report is CONFIDENTIAL, any piece of information may be regarded as UNCLASSIFIED when divorced from context -- unless otherwise marked.

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ECONOMIC VULNERABILITY OF NORTH VIETNAM TO PROPAGANDA

Summary and Conclusions

US propaganda that is aimed at the people of North Vietnam should stress the regime's sacrifice of both individual and national welfare to the interests of international Communism. It should emphasize also the inefficiency of the government in operating the economy. Specific propaganda themes should be based on the following considerations:

In industry, heavy industry always has been given priority in the allocation of manpower materials relative to light industry, which supports the standard of living. Moreover, a large portion of investment in light industry has been in plants that produce goods for export rather than for domestic supply.

In agriculture, the peasant not only has been subjected to capricious changes in the rules governing his income but also has had to put up with control by officials who know little about farming. In addition, the regime's emphasis on developing heavy industry has deprived agriculture of the resources needed to increase production and improve rural living standards. One phase of this discrimination against the peasant has been the establishment of artificially low prices for agricultural products.

In domestic trade, private trade has been supplanted by a socialized trade network that has involved new hardships for both the consumer and the state trader. In the process, thousands of small traders have lost their traditional means of livelihood.

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In foreign trade, the regime has abandoned traditional markets because of its political commitment to the Communist Bloc, and, as a result, trade moves in less advantageous channels. Control over foreign trade has been used by the government as one means of furthering the political and military aspirations of the regime at the expense of the consumer. For example, even at a time of serious domestic food shortages in late 1960 and early 1961, the regime was continuing to export rice and other foodstuffs in exchange for imports of machinery and equipment. Another sore point with the North Vietnamese consumer is the inferior quality of manufactured consumer goods from the Bloc as contrasted to the quality of goods formerly imported from the West.

In foreign economic assistance, US propaganda should not attempt to belittle the total amount of Bloc aid or its over-all impact on the economy of North Vietnam. Rather the propaganda should concentrate on certain specific shortcomings, such as the building of factories for which no materials are available and the high living of Bloc technicians. US propaganda should also point out that North Vietnam must repay most of this aid at a future date through exports of foodstuffs.

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I. Industry

Whether it be North Vietnam, the USSR, Communist China, North Korea, or the European Satellites, the broad objective of the Communist regime is rapid industrialization, with highest priority on the development of heavy industry. The ultimate goal is political and military power. Thus, even in North Vietnam, a small, predominantly agricultural country with only limited mineral resources (by world standards), the Communists are devoting their greatest energies to the establishment of a heavy industrial base. In contrast, they are contributing little to the solution of North Vietnam's serious food problem and are doing even less to support those other sectors -- such as light industry and trade -- that support the standard of living.*

A. Priority of Heavy Industry

US propaganda on the general subject of industry should stress the fact that although the people would benefit most directly from more investment in the food, textile, and other consumer goods industries, the overriding emphasis of the Communist program of industrial development is on the build-up of heavy industry.** Instead of more rice, more sugar, more textiles, and more

* During 1955-60 the regime allocated more than 30 percent of total state investment to heavy industry, compared with an allocation of only about 11 percent to agriculture, about 10 percent to light industry, and about 7 percent to trade. Since 1955 the priority of heavy industry in the state investment program has increased every year; in 1961 investment in heavy industry constituted approximately 38 percent of total state investment.

** Since 1955, over 70 percent of total state investment in industry has been allocated to heavy industry. For every dong invested in the construction of a rice mill, sugar refinery, textile mill, or plastic goods factory, the regime has invested 2.6 dong in the construction of an iron and steel mill, machine tool plant, or industrial chemical plant. Since 1955 (when investment in heavy industry constituted about 75 percent of total investment in industry) the priority of heavy industry has increased every year, until in 1961 it represented approximately 84 percent of total industrial investment.

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paper, the regime is producing more coal, more cement, more apatite, and more machine tools.* And in the future, although it promises only relatively small increases in the per capita production of meat, cloth, sugar, and housewares, it is planning new production of steel and larger increases in the production of electric power.** Thus, even at a time of critical food shortages in the country, the regime is thinking only of an even greater emphasis on heavy industry during the period of the First Five Year Plan (1961-65) than during

* During 1956-60, North Vietnam's major heavy industrial products registered the following percentage increases in production: apatite, 1,942 percent; iron ore, 650 percent; electric power, 170 percent; coal, 112 percent; and cement, 106 percent. During the same period, the production of selected light industrial products (modern sector only) increased as follows: rice (milled), 113 percent; sugar, (refined) 180 percent; tea (processed), 42 percent; canned fish, 4 percent; cotton yarn, 43 percent; cotton cloth 79 percent; and soap, 45 percent. These percentage increases in production are given for background use only; they should probably not be used in US propaganda. For two important reasons, they considerably overstate the production of light industry relative to heavy industry. First of all, the percentage increases are based on production figures for modern industry only (excluding handicraft production). In the case of heavy industry, which is produced almost entirely by modern industry, they closely reflect the real increase in total production by heavy industry. But in the case of light industry, which consists predominantly of handicraft production, they overstate the increase in total production to the extent that modern industrial production has increased more rapidly than handicraft production. Secondly, the percentage increases in (modern) light industry are computed on very low base figures. At such low absolute levels of output, production of a single new light industrial plant can result in a doubling or tripling of output in an industry. For example, the increase of 180 percent in the production of refined sugar was an increase of only 9,000 tons of sugar, whereas the increase of 106 percent in the production of cement was an increase of 209,000 tons of cement.

** During 1961-65 the production of heavy industry is planned to increase at an average annual rate of 26 percent and the production of light industry at an average annual rate of 16 percent. The development of industry will stress the production of electric power, machine-tools, and iron and steel, in that order.

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the period of the Three Year Plan (1958-60). Since hungry people can hardly eat steel -- or wear cement -- or live in a machine tool plant -- this stepped-up program of industrialization would seem to hold little -- except more sacrifices -- for the already hard-pressed North Vietnamese consumer.

B. Export of Light Industrial Production

Although the regime has made some progress in its efforts to establish at least the framework of a modern light industrial sector, this development of light industry has not brought about a comparable improvement in the people's standard of living. For in North Vietnam, as in Mongolia, the development of light industry has been largely directed to the export of processed agricultural commodities and light industrial products. Thus, increases in light industrial production have mainly supported North Vietnam's imports of machinery and equipment, rather than an increase in domestic consumption. Almost all of the output of the DRV's 14 new modern rice mills, its 4 new sugar refineries, the Haiphong Fish Cannery, and the Phu Tho Tea-processing Plant is reportedly reserved for export. Yet, these 20 new industrial facilities constitute the core of the Communist program in light industry. The development of a modern light industrial sector, therefore, has had considerably less impact on the standard of living than it has on production statistics in light industry. For example, although during 1955-59 per capita production of rice (milled) increased 4 times, per capita consumption of rice increased by less than 10 percent.* Similarly,

* Production data are based on production by modern industry only; if handicraft production had been included, total production in light industry would have increased more slowly. Consumption data, on the other hand, include all consumption, including that produced by both modern and handicraft industry as well as that imported for domestic consumption.

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although per capita production of sugar increased 6 times, per capita consumption only doubled. Per capita production of cigarettes increased 18 times, but consumption by only 33 percent. Per capita production of cloth increased 7 times, but consumption by only 41 percent. Finally, per capita production of paper increased 4 times, but consumption by only 75 percent. Thus, US propaganda can legitimately argue that most of the increase in the production of light industry has been exported; it has certainly contributed little to an improvement in the low standard of living. (The percentage figures for increases in production given in Section I are based on official claims for increases in the production of modern industry (excluding handicrafts). Therefore, in some cases (particularly in light industry) these figures exaggerate the over-all increase in production (by the economy as a whole) of a particular commodity, for example, rice and sugar).

C. Poor Quality of Output

The inefficiency of the Communist management of the economy is illustrated by the poor quality of goods produced by industry, including goods used in agriculture. US propaganda might make use of the following passage from an official North Vietnamese article* in Economic Research in October 1961:

* Article is by Le Vinh in Nghien Cuu Kinh Te (Economic Research), Hanoi, October 1961, pp. 4-11 and 1y, as translated in JPRS: 12593, "Translations from North Vietnamese Periodicals, No. 21", 21 Feb 62.

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"...the quality of the capital goods our industry supplied to agriculture was poor and their cost was high. The model 51 ploughs were broken within a year or even in a single crop, hence a nickname 'single year ploughs'. Some other models are too heavy (ranging from 40 kg to more than a ton) to become suitable for our present draught power and transportation situation. Replanting machines are sometimes improperly made with still-too-fresh wood and still-too-soft iron which make the frame warp and the prongs unusable. The Phu Tho Committee supplied its villages up to 500 replanting machines, but so far, there remain only 40 usable ones... An [additional] obstacle to the application of new production techniques in agriculture was the lack of a widespread network of repair shops."

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II. Agriculture

A. Institutional Arrangements in Agriculture

An effective propaganda theme on the general subject of agriculture would be one emphasizing the complete uncertainty of institutional arrangements under the Communist regime. US propaganda should point out that at any time -- with little warning -- the regime is likely to institute some new scheme, such as forced deliveries of rice to the state, or some new collective form of agriculture, perhaps one even as radical as the Chinese commune, for increasing state control over agricultural production. Practically overnight, the regime is likely to overturn basic agricultural institutions or change long-established farming practices. Today the peasants may be allowed to sell all the produce of their small "garden plots" on the free market; tomorrow the free markets may all be closed and private plots and livestock confiscated by the state. Such is the uncertainty of life in a Communist society, where the state arbitrarily -- even capriciously -- destroys old social institutions and re-shapes new ones.

In converting the bulk of private agriculture to the socialist system, the DRV is following the established Communist pattern of staged economic transformation, beginning with land reform and progressing through the formation of manpower-exchange teams to low-level agricultural producer cooperatives and finally to high-level agricultural producer cooperatives on the order of the Soviet collective farm.* Thus, although in comparison to other Communist countries

* Manpower-exchange teams are a rudimentary form of socialization in which peasants pool their labor to accomplish certain farm jobs but retain ownership of land, buildings, animals, and tools as well as of the crops produced. Agricultural producer cooperatives are a "higher" form of agricultural collectivization in which peasants pool their land and tools under centralized management; the collective income is then divided on the basis of the peasant's contributions of land and capital as well as labor. In high-level agricultural producer cooperatives a member's share of the collective income is determined solely on the basis of the work performed.

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North Vietnam may not yet have progressed very far along this path of socialist development,* it is only a matter of time before the regime will institute the orthodox economic controls associated with socialized agriculture in the USSR, Communist China, North Korea, and other Communist states.** For instance, a cooperative in North Vietnam is now still allowed to sell its surplus produce (after taxes) either to the state or to private buyers, as it so chooses. Very soon, however, the government can be expected to requisition fixed amounts of rice and other crops under a state procurement system. The price of agricultural commodities thus procured by the state will of course be arbitrarily fixed by the state. In North Vietnam, as in Communist China, the state also will, it may be anticipated, soon altogether prohibit free trade in certain commodities -- for example, staples such as rice, corn, sweet potatoes, and manioc. In these important commodities the state will thus have a monopoly in domestic trade. The DRV, like Communist China, may even someday experiment with the complete abolition of the rural "free markets," forcing the peasants to sell only to the state. Such direct control over the distribution of all agricultural commodities

* As of December 1961, roughly 90 percent of the peasant households in North Vietnam had joined cooperatives. Less than 30 percent of these families, however, belonged to high-level cooperatives. Thus, with the exception of Poland, North Vietnam has to date proceeded more slowly than any of the other Bloc countries in socializing agriculture.

** A recent, major change in North Vietnam's government administration -- the appointment of Truong Chinh as Chairman of the State (Economic) Planning Committee in January 1962 -- would seem to underline the DRV's determination to push the socialization of agriculture. Truong Chinh, publicly associated with the harsh excesses of the land reform program, is known to favor a more doctrinaire policy, especially an accelerated program to bring the peasants under increased governmental control.

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would give the regime unprecedented control over what the peasants produce and consume. Another radical feature of Chinese Communists agricultural policy -- the confiscation by the commune of the peasants' small private plots and livestock -- may also some day be tried in North Vietnam. Then all vestiges of private property will vanish from the North Vietnamese countryside. The peasant, like his Chinese counterpart, might find himself completely detached from his land, arbitrarily shifted from field work to canal digging to road building, as local conditions and national objectives require.

US propaganda should point out that a steady, relentless drive to extend state control over agriculture (along the lines outlined above) has characterized the economic program of every Communist society. Thus, the establishment of a state procurement system -- which the DRV is just now beginning to talk about -- is but the first of a series of measures that will give the regime increasingly tight control over nearly every aspect of the life and work of the North Vietnamese peasant. In the future, there will always be other schemes and new collective organizations -- each more restrictive than the last. For the Communists apparently believe that most problems in agriculture are primarily the result of weak organization; therefore, new solutions to the agricultural problem always involve organizational changes. Thus, the farmers can be sure of but one thing: there will always be change -- and sudden, radical change, at that.

B. Communist Agricultural Policy

The North Vietnamese farmer not only lives with the uncertainty of institutional arrangements in agriculture, he works under the constant harassment

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of local Party officials, who, though unskilled in agricultural techniques, propose to tell him exactly what to do and how to do it. US propaganda should emphasize the clumsiness of such overcentralized farm management, which has provided, at best, erratic and, at worst, irrational direction in agriculture.

Socialized agriculture in North Vietnam, as in all Communist countries, has certain inherent inefficiencies. At all times, whether the policy line is hard or soft, direction over agricultural production is exercised through a huge Party apparatus made up of officials that are selected mainly for their political qualifications rather than their technical or managerial skills. Thus, even sound agricultural policies -- if imperfectly understood by these local Party officials and thus inadequately explained to the farmers, or if fanatically pushed by the regime beyond their reasonable advantages -- can have a negligible, if not negative, effect on agricultural production.* Similarly, new methods that show promise in selective areas -- if mechanically applied on

* For example, the Chinese Communist agricultural policy instituted in the spring of 1958 calling for an increase in the acreage sown to corn was reasonable in view of the high yield of corn. But when pushed to the extreme, it was wasteful, as the production of corn far exceeded demand, while the production of other crops dropped below domestic requirements. Similarly, the intensive campaign against sparrows carried out in 1959 could have been justified, on economic grounds, in some areas, where the birds were really farming crops. But again, when carried to an extreme, it became ridiculous. Only too late was it discovered that the sparrows had prevented an equally serious problem -- namely insect damage.

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on a wide scale with little regard to local conditions -- can do more harm than good.* Finally, agricultural policies, as formulated by the Communist leadership, can themselves be more politically inspired than economically sound. In the extreme, as in Communist China during the "leap forward" (1958-60), such ill-conceived agricultural policies can prove disastrous to production;** at the minimum, they will contribute to the Communists' chronic difficulties in agriculture.

In view of such past serious errors in Communist agricultural policy and the general inefficiency of its overcentralized farm management, US propaganda

* For example, close planting was certainly a technique to be recommended for certain crops in some areas of China. But when applied indiscriminately, it was extremely wasteful as inputs of fertilizer were far from adequate to support the closer planting and insufficient air and light often caused a decline in yields.

** For example, the Chinese mass labor drives and crash production programs of 1958-60 -- such as the drive to produce large quantities of iron and steel in the famous "backyard blast furnaces" and other heavy industrial products (such as coal and farm implements) in the countryside -- led to a reckless expansion of activities in complete disregard of the cost and usefulness of the effort expended. Rural construction projects to expand irrigation and flood control projects and to build local road resulted in huge crop losses in 1958, as more than a third of the work force was diverted from the fields to off-field projects just at the height of harvesting. The stress on collective activities such as the drive to expand collective raising of hogs occurred at the expense of important private economic activities, such as the cultivation of private plots and private raising of livestock. Other major blunders included the loss of millions of tons of grain through experiments with too-close planting, the destruction of the clay floors of paddy fields as the result of too-deep plowing, the alkalization of soil in North China through reckless irrigation schemes, and the disruption of the normal rotation patterns required to maintain soil fertility. Taken together, these policy errors contributed significantly to the present agricultural crisis in China.

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might well question the Party's ability to direct agricultural production. Such a propaganda theme should find a very responsive audience among North Vietnam's farmers, who inevitably resent outside direction and guidance, and all the more so when -- as in the DRV -- it comes from technically unskilled, inexperienced, sometimes incompetent Party officials who promote agricultural policies of dubious economic value. Thus, our propaganda should stress the erratic, irrational elements of Communist policy: the crash production programs (to increase output of corn, sweet potatoes, and hogs) and frantic work drives (to expand irrigation and flood control projects, build local roads, and produce heavy industrial products in the countryside) that seem to have an irresistible appeal to rulers desperately looking for short cuts to increased agricultural production. These mistaken policies have been tried again and again, and only reluctantly corrected when the appalling human and material costs involved can no longer be overlooked. In the future, they will surely be tried again; for in North Vietnam, as in Communist China, the economic realities of scarce food supplies, hunger, and poverty are combined with a fanatic revolutionary spirit to create a climate of intense effort and restless experimentation. And yet all the time, what is really needed in North Vietnam, as in other underdeveloped, agrarian economies, is sound agricultural policy -- featuring agricultural extension stations (as a sure, though less dramatic, way of training agricultural technicians), greater inputs of chemical fertilizer and the introduction of improved seeds (as the most effective way of increasing crop yields), and increased material incentives (as the surest way of stimulating peasant effort and initiative). The Communists definitely do not provide this kind of policy.

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C. Heavy Burden of Industrialization on the Peasant

In all underdeveloped, agricultural countries -- whether Burma, Thailand, Taiwan, or North and South Vietnam -- there is apparently a general feeling among the people that the welfare of the farmer is being sacrificed in the interests of all other groups in the economy. Whether this is actually true or not, farmers in these countries would be inclined to believe propaganda that tended to reenforce this popular conception. In North Vietnam, where the regime is actually promoting investment in industry with resources extracted primarily from the rural population, such a propaganda theme should be particularly convincing. In this case, it can be honestly argued that the farmer is getting a poor break in the distribution of available resources.

In support of this general argument, US propaganda should simply point out, first of all, the overwhelming priority of industry -- especially heavy industry -- in Communist economic planning. The regime has openly and repeatedly proclaimed this, as it has also admitted the lesser importance of agriculture. For example, the Five Year Plan has clearly stated that "socialist industrialization is [to be] the central task of the whole period (1961-65); industry -- above all, heavy industry -- is to play the leading role in [North Vietnam's] socialist economy." The investment program of the state has closely reflected these announced priorities. During 1955-60, over 40 percent of total state investment (including investment financed by Bloc aid) was allocated to industry; only about 11 percent went to agriculture. In 1961, state investment in industry

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of 328 million dong* was roughly 3 times that in agriculture.** Thus, our propaganda can reasonably conclude that, in spite of the overwhelming importance of agriculture in the North Vietnamese economy,*** the Communists are really interested only in the development of industry. The overriding priority of industry must reflect the political and/or military aspirations of the leadership rather than a concern for the real interests of the great majority of the North Vietnamese people. No less than 90 percent of the total population live in rural areas and is supported by agriculture; yet, the regime chooses to build iron and steel mills, machine tools factories, industrial chemical plants, and cement factories rather than help the peasants expand irrigation and flood control projects, reclaim abandoned land, and mechanize agriculture.

Yet it is the peasants who are carrying the heaviest burden in the forced-draft industrialization. For in North Vietnam, as in the USSR and

* In the case of investment goods, the dong may be converted into US dollars at the rate of 4 dong to US \$1 for purposes of rough comparison. However, dollar figures probably should never be used in any US propaganda directed toward North Vietnam.

** In contrast, agriculture has generally received a higher priority than industry in the investment programs of the non-Bloc countries of Southeast Asia, which, like North Vietnam, are predominantly agricultural economies. Of total investment, both government and private, in fixed assets in South Vietnam in 1960, about 28 percent went to agriculture and approximately 20 percent to industry. In North Vietnam, on the other hand, almost 45 percent went to industry and only about 17 percent to agriculture.

*** In 1960, industrial production (including handicraft production) constituted only about 15 percent of North Vietnam's gross national product (GNP), whereas agriculture contributed almost half of the GNP. In value-added, agricultural production was approximately 2.8 times as great as industrial production. Whereas more than 6 million persons (or 77 percent of the total labor force) were engaged in agricultural pursuits, only about 616,000 persons (or 7 percent of the labor force) were employed in modern industry (126,000) and handicrafts (490,000).

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Communist China, the regime is pushing investment in industry with resources squeezed out of the rural population. Both the tax structure and the price system are, in fact, weighted against the farmer, in favor of the industrial city worker. Propaganda stressing the inequity of the price system should be particularly effective,* as North Vietnamese farmers daily experience the real discrepancy between the low prices paid to them for their agricultural products and the high prices paid by them for industrial commodities.**

* The North Vietnamese government has itself used this propaganda theme very effectively against South Vietnam. Among the farmers in the South, the Viet Cong agents have exploited anger over soaring prices for fertilizer and rice bran. Unfortunately, the Government of South Vietnam has given the Viet Cong much ammunition for this propaganda by its price control measures that seem to subsidize the urban population at the expense of the farmer. In attempting to please the urban masses of Saigon with cheap pork, President Diem has set a ceiling price on hogs so low that the farmers will not deliver the animals to the Saigon slaughter houses. Recently Saigon was able to export 10,000 hogs monthly to Hong Kong, but now the exports have suddenly halted, since the farmers will not bring their hogs to town. There is no reason why this same propaganda theme should not be even more effective in exploiting peasant opposition to the regime in North Vietnam, where the price differential between agricultural and industrial products is even greater than in South Vietnam.

** To be most effective, US propaganda should include detailed, up-to-date information on official prices for specific agricultural and industrial products. Such a list of prices would dramatize the relative cheapness of farm products and the expensiveness of manufactured consumer and producer goods. For example, in March 1962 the official purchase price for both rice and corn was 0.02 dong per kilogram, for green beans 0.05 dong per kilogram, for peanuts 0.04 dong per kilogram, and for jute 0.05 dong per kilo. At the same time, a pair of leather shoes reportedly cost 18 to 20 dong, (Begin CONFIDENTIAL) a wrist watch 100,00 dong, a bicycle 400,00 dong, a wool sweater 30 to 45 dong (End CONFIDENTIAL). Since 1956, the farmers' unfavorable terms of trade have actually worsened, as prices of agricultural products have steadily fallen, while prices of industrial consumer goods and agricultural producer goods have continued to rise. In 1959, the official index of prices paid to farmers for agricultural products showed a 2-percent drop in prices as compared to 1956. During the same period, on the other hand, the official index showed an increase of 5 percent in the price of dressmaking materials, an increase of 13 percent in the price of household articles, an increase of 17 percent in the price of household fuels, and an increase of 10 percent in the price of cultural products. US propaganda should follow such changes in prices over the period a month, 6 months, year, etc. When the price of rice, or corn, or any other foodstuff is falling compared to the price of cloth, household items, or any piece of farm equipment, our propaganda should quote these price changes to highlight the fact that the farmers are being caught in a price squeeze that makes life for them increasingly difficult.

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US propaganda should point out that in arbitrarily fixing the price of food and other agricultural commodities very low in relation to the price of cloth, shoes, earthenware, matches, bicycles, farm equipment, and other items normally purchased by the farmers, the regime is actually depriving the peasants of their fair share of available goods. In essence, the state is not paying the farmers as much as their goods are worth;* it is overcharging them for their purchases of industrial goods produced in the cities (especially producer goods, such as farm implements, fertilizer, and irrigation pumps); and it is pouring state money into industry (steel mills, and cement plants, not chemical fertilizer plants) rather than agriculture. The farmers are being denied the fruits of their labor, in the overriding interests of rapid industrialization, and the wealth of the countryside is being shifted to the cities in the creation of new industrial centers.

* US propaganda can emphasize the fact that the regime is not paying the farmers enough for their agricultural products by pointing out that the state trade Ministry has been reselling foodstuffs in the cities at very much higher prices than it has paid for them, thereby making large profits in the transaction. For example, the average purchase price for rice in the fall of 1956 was reportedly 225 (old) dong per kilogram. At the same time, the (official) retail price of rice in state stores was 390 (old) dong per kilogram.

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III. Domestic Trade

Any theme that emphasizes certain doctrinaire elements of Communist economic policy should make effective anti-regime propaganda, for example, one emphasizing the arbitrary suppression of private domestic trade in North Vietnam. Communist policies aimed at the destruction of private trade and its replacement by socialized trade have involved new hardships for both consumers and those still engaged in trade. Private traders have been faced with the unpleasant alternative of working for the new state trade organization or losing their means of livelihood. Those small traders absorbed in the state system as wage earners have had to work very much harder, for less reward. Thousands of others have been left unemployed. (They, of course, would be very receptive to propaganda criticizing the regime's arbitrary, heavy-handed treatment of traders.)

These small traders used to provide an effective network for the marketing of agricultural products and handicraft goods in both the cities and rural areas. The system of trade cooperatives and state retail stores that has replaced the private trade network has proved a less satisfactory alternative. Supply and marketing cooperatives and government-owned stores are few in number compared with the former large number of private merchants. Customers must form queues and wait long periods for service. Moreover, state stores are typically poorly stocked with both foodstuffs and manufactured consumer goods compared with the general availability of such products in the hands of private traders. Thus, customers may wait in line a long time only to find out that the store has

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been sold out of a particular commodity. Because of the regime's arbitrary restrictions on the import of consumers goods, many goods formerly imported under the French are entirely missing from the shelves. Others in short supply -- such as rice, meat, sugar, bread, rice alcohol, beans, condensed milk, soya cake, and cotton cloth -- are strictly rationed. Finally, most shops are now authorized to deal in but one or two categories of merchandise. Customers, therefore, must go to any number of different stores to buy all they need. For all these reasons, shopping in North Vietnam today is a much more inconvenient, tiring, and frustrating business than in pre-Communist days under a free trade system. US propaganda should cite this as but another example of the regime's arbitrary sacrifice of consumer satisfaction.

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IV. Foreign Trade

Over no other sector of the economy has control by the regime been more effectively established than over North Vietnam's foreign trade. During 1955-58 the role of the private foreign trader declined rapidly; since then, foreign trade operations have been completely controlled by the state. The planned character of foreign economic relations and the state monopoly of foreign trade operations represent a radical departure from traditional foreign trade practices. Moreover, Communist policies with respect to the direction of trade and the commodity composition of trade have changed dramatically the basic prewar pattern of trade. The major propaganda themes to be exploited in the field of foreign economic relations deal with this systematic distortion by the regime of North Vietnam's natural trade relationships.

A. Direction of Trade

The direction of North Vietnam's foreign trade normally should depend on its geographical location, its comparative advantage in production, and its pattern of economic development. The DRV's relatively favorable position (for Southeast Asia) in mineral reserves and industrial assets and the Communist program for industrialization would suggest, therefore, a natural orientation in trade toward the other countries of Southeast Asia -- with the latter importing mineral raw materials and industrial products from North Vietnam in exchange for exports of agricultural commodities to North Vietnam. But in contrast to other countries where trade on the whole is determined by economic considerations, trade in North Vietnam is constrained by ideological and political considerations.

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Since 1955, its foreign trade has thus remained securely tied to the other Bloc countries; less than 10 percent of total trade has been with the Free World (mainly Japan). Under the Communists, North Vietnam has been economically, as well as politically, isolated from the rest of Southeast Asia, in particular from the former states of French Indochina. Before World War II, trade between the more industrialized northern part of Vietnam and the agricultural southern part was of great mutual economic advantage but since partition, economic intercourse between North and South Vietnam has been completely cut off. Thus, the North has been denied its logical market for coal, cement, paper, chemicals, glass, and other industrial products, and, at a time of serious food shortages, has been cut off from the rice surpluses of the South.

The North Vietnamese people -- especially the better-informed groups -- presumably resent this abrupt termination of all normal economic relations with South Vietnam and other neighboring Free World countries. US propaganda should direct this resentment against the regime, by linking North Vietnam's economic isolation in Southeast Asia to the introduction into North Vietnam of a political doctrine alien to Southeast Asia. The distortion of North Vietnam's natural foreign trade relationships should be viewed as a serious economic liability of its political commitment to the Sino-Soviet Bloc. The regime's sensitivity on this issue has been revealed recently by the emphasis given in its propaganda campaign to increased trade relations with non-Bloc areas. In a recent radio-broadcast, Hanoi noted that since 1955 the DRV had concluded formal trade agreements with 19 non-Bloc countries in Asia, Africa, and the Middle East.

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With but few exceptions, however, these agreements are designed primarily for propaganda purposes. Trade with these non-Bloc areas is expected to be of negligible economic significance. In the future, as in the past, North Vietnam's foreign trade is expected to remain firmly committed to the Sino-Soviet Bloc.

US propaganda should emphasize that this unnatural orientation in trade towards the Communist Bloc has involved considerable economic cost. For example, imports of capital machinery and equipment from the USSR and the European Satellites have involved extra transportation costs that could be avoided by importing similar products from Japan and other Free World countries. Freight charges on the long haul by sea from Eastern Europe to North Vietnam are at least three times as high as those on the short haul from Japan to North Vietnam. In so far as trade moves from the Satellites and the USSR to North Vietnam by rail, the difference in freight rates is even greater. Under the Communists, therefore, North Vietnam's foreign trade has been directed -- for political purposes -- into uneconomic channels.

B. Commodity Composition of Trade

1. Imports

North Vietnam's domestic needs for foodstuffs, soft goods, and consumer durables far exceed the ability of the economy to supply these goods and there is a widespread unsatisfied demand for imports of foreign consumer goods. However, the regime has deliberately restricted imports of foodstuffs and other consumer goods in favor of imports of complete plant installations,

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machinery and equipment, and industrial materials. Under the Communists, there has, in fact, been a systematic distortion of the composition of North Vietnamese imports that has sacrificed consumer welfare to the regime's program for industrialization.

The natural composition of North Vietnamese imports is suggested by the composition of prewar imports into French Vietnam and present-day imports into South Vietnam. In 1939 more than 90 percent of total Vietnamese imports consisted of consumer goods (luxury consumer goods accounted for about 49 percent and non-luxury consumer goods for about 42 percent); producer goods constituted only about 9 percent of the total value of imports. Although with the beginnings of industrialization in South Vietnam, imports of consumer goods have declined in relation to imports of machinery and equipment, in 1960 they still accounted for roughly 40 percent of the total value of imports. Since 1955 a wide variety of consumer goods -- cotton fabrics, plastics goods, glassware, wood and wood products, paper products, and foodstuffs -- have been imported with dollar funds granted to the South Vietnamese government.

But whereas the US economic aid program to South Vietnam has continued to finance large annual imports of consumer goods, the pattern of North Vietnamese imports supported by the high level of economic assistance from Bloc countries has shifted dramatically away from consumer goods to investment goods such as machinery and equipment and industrial materials. In 1955, consumer goods accounted for approximately 55 percent of the total value of North Vietnam's

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imports, but by 1960 they constituted less than 10 percent of total imports. During the entire period 1955-60, they averaged only about 25 percent of total imports. In 1960 the value of foodstuffs and other consumer goods imported into South Vietnam was roughly 10 times the value of similar imports into North Vietnam, which had almost 2 million more people.

Foreign trade policy with respect to the composition of imports represents the easiest and most flexible way of channeling resources into either investment or consumption. If the regime were truly interested in the North Vietnamese consumer, it could most quickly raise the low standard of living by relaxing the arbitrary restrictions on the import of consumer goods. Since imports have averaged no less than 10 to 15 percent of the gross national product (GNP) of North Vietnam, the composition of imports has had an unusually important influence on the over-all allocation of resources in the economy. Thus, if in 1960 North Vietnamese imports of consumer goods had constituted 40 percent of total imports as they did in South Vietnam, per capita consumption in North Vietnam would have been at least 5 percent higher than it actually was. US propaganda should highlight the regime's artificial restrictions on imports of consumer goods in the face of large and growing popular demand for more consumer goods.

Our propaganda might also mention one specific consequence of the regime's restrictive policy on imports of consumer goods. Not only have many goods formerly imported under the French now become totally unavailable to consumers in North Vietnam, but many handicraft workers -- formerly dependent on

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foreign sources for imported raw materials -- have been deprived of their traditional means of livelihood. For example, those handicraft workers who used to make rubber goods (such as shoes) with rubber imported from South Vietnam would certainly have great difficulty today in securing their needed raw materials. (They presumably would be very receptive to US propaganda emphasizing the dislocation of handicraft production that has resulted from the regime's arbitrary restrictions on the import of consumer goods).

2. Exports

A major economic policy of North Vietnam has been the promotion of exports to match the level of imports. In particular, the regime has emphasized an expansion in exports of agricultural and mineral products to pay for imports of machinery and equipment. The drive to expand agricultural exports obviously has meant reduced food supplies for an already undernourished population. During 1956-60, exports of agricultural products increased by more than 150 percent whereas total production in agriculture increased by only about 20 percent. A net importer of food before World War II, North Vietnam is now a net exporter, but only because of enforced low levels of consumption within the country. US propaganda should emphasize the regime's utter disregard -- by its continued determination to export scarce foodstuffs -- of the people's legitimate demands for an improvement in the food supply. During 1958-60, exports of rice, as reported by the government, averaged about 160,000 tons, or roughly 5 percent of total domestic production. At the estimated level of per capita consumption of rice in 1960 (150 kilograms), these annual rice exports would have been adequate

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to support over 1 million additional persons, or they would have provided an additional 10 kilograms of rice per person, thereby raising per capita consumption by about 7 percent. Even at a time of serious food shortages in North Vietnam in late 1960 and early 1961, the regime was continuing to export reduced quantities of rice and other foodstuffs. US propaganda should attribute the recent difficulties with the domestic food supply primarily to these large annual exports of foodstuffs, rather than to lowered agricultural production due to bad weather. When food is scarce, a rumor that the regime is exporting large amounts of grain to Communist China and other "friendly governments" should be especially effective in arousing public opinion against the regime.

C. Quality of Bloc Goods

The poor quality of many of the goods imported from the Bloc might be effectively exploited in US propaganda.

Under the French, the North Vietnamese had over 50 years of experience with Western technology and Western manufactured products. During that period, French standards were implanted deeply in most areas, and Western quality became a benchmark for comparison. Today the North Vietnamese apparently still regard both the technology and industrial products of the West as generally superior in quality to what the USSR, Communist China, and other Bloc countries now are offering them. In recent months, criticism of Bloc goods and services has even, on occasion, been expressed in the press. For example, an article recently

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published in Thoi Moi admitted frankly that "people are saying that American-made goods are cheaper and better, and, although the former regime is now criticized, then everything was very cheap and beautiful." A constant propaganda battle has had to be waged by the regime in an attempt to convince the people that goods and services furnished by the Bloc are actually as good, if not better, than those furnished by the West. The government, however, apparently is having great difficulty in proving that Communism does not automatically bring in its train a lowering of standards, shortages, and the sale of poorly manufactured products. Thus, the North Vietnamese should be very receptive to US propaganda on the general subject of the inferiority of the North Vietnam's imports from the Bloc compared to prewar imports from the West.

Because of the lack of Western observers in North Vietnam who might report firsthand on the quality of North Vietnamese imports of Bloc goods, little information is available on specific commodity shipments that could be used as examples in US propaganda. General conclusions as to the over-all quality of Bloc exports can, however, be drawn from the experience of other countries. In general, Bloc exports of foodstuffs and industrial raw materials such as cotton and petroleum have presented no special problem. On the other hand, exports of manufactured consumer goods have been consistently inferior and invariably more expensive. They have, in fact, found no markets among the Western industrial countries, where comparisons can easily be made. In

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particular, complaints have been voiced about the quality of Bloc textile products, especially those sold by Communist China. Even when the materials are durable and the colors do not fade, the patterns are often monotonous and the colors dull. Bloc clothing manufacturers have also been accused of a cavalier attitude toward sizes (for example, a size 12 dress may have size 20 shoulders). But perhaps the most questionable of Bloc exports have been its capital goods. While not necessarily inferior for conditions within the USSR, heavy, massive Soviet equipment has not always been found satisfactory in other countries. For example, Soviet jeeps supplied to Indonesia (and presumably to North Vietnam as well) had windshields that were so distorted by tropical heat that it was difficult to see through them; the steering mechanism was also poorly designed, resulting in "shimmying" at higher speeds; and the springs reportedly were of insufficient strength for heavy loads of local roads.

D. Bloc Trade with North Vietnam as an Instrument of Control

The Bloc countries have the desire and the ability to use foreign trade alone or in combination with aid, as an instrument of political and military policy. The contrast between the Western system of uncoordinated decisions by numerous private parties and state trading under totalitarian control is obvious and striking. In a Communist society in which all trade activities are centrally controlled, purchases and sales can be increased or decreased and switched from one country to another whenever the central authorities so choose. At the extreme, such abrupt changes in the volume direction, or commodity composition

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of trade can be clearly politically motivated, as fluctuations in Bloc trade following changes in political relations with Yugoslavia in 1958 and the recent cut-back in Soviet trade with Communist China and Albania would indicate. The fact that the USSR has applied economic sanctions against these other members of the Bloc in a political dispute must make the DRV apprehensive about the reliability of Communist countries as trading partners. In the future, North Vietnam's two powerful Communist trading partners, the USSR and China, might well adopt the same tactics and threaten a reduction in the over-all volume of trade or a cut-back in shipments of high-priority items in an effort to make certain of North Vietnam's support of specific foreign policy objectives. The DRV's dependence on Sino-Soviet Bloc imports for its industrialization program and its military build-up would make it highly vulnerable to such external political pressure applied through trade. US propaganda should emphasize North Vietnam's potential loss of economic and political independence by so complete an orientation in trade towards the Sino-Soviet Bloc. To this end, it should publicize the USSR's recent economic sanctions against Communist China and Albania, such as the unilateral withdrawal of Soviet technicians from China in mid-1960 (at a time when many aid projects were only partially completed) and the sharp drop in trade (including the termination of all credit agreements) with Albania in 1962. This propaganda theme should be especially effective with those persons who already resent the regime's break with its established prewar trading partners.

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V. Foreign Economic Assistance

Although not particularly impressive when compared with US economic aid to South Vietnam,* Bloc economic aid to North Vietnam has been quite substantial. Moreover, it has been crucial to the economic recovery of North Vietnam from the effects of the Indochina War. Thus, US propaganda should not attempt to belittle the total amount of Bloc aid or its over-all impact on the North Vietnamese economy; rather, it should concentrate on the few obvious shortcomings of the aid program. The most effective US propaganda themes would probably be (1) the misdirection of Bloc aid, (2) the necessity for paying back Bloc credits (with interest) in exports of much-needed foodstuffs and other consumer goods, (3) certain deficiencies and limitations in the aid program, (4) the use of aid as an instrument of foreign economic control, and (5) the high costs of the Bloc technical assistance program that must be borne by the North Vietnamese government.

A. Misdirection of Aid

The most effective US propaganda theme on the general subject of Bloc economic aid to North Vietnam would almost certainly be one emphasizing that Bloc aid has not really benefited the North Vietnamese consumer. US propaganda

* Economic aid extended to South Vietnam for use during 1955-60 was more than two and one-half times as much as economic aid extended by the Bloc to North Vietnam, or about US \$1,400 million compared with about US \$525 million. Whereas foreign economic assistance to South Vietnam is estimated to have been equal in amount to about 13 percent of South Vietnam's GNP, economic aid to North Vietnam was equivalent to approximately 8 percent of North Vietnam's GNP. As mentioned at an earlier point in the report, this kind of information is given as background only, not as usable propaganda material.

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should point out that whereas the other Bloc countries have invested heavily in the reconstruction and expansion of North Vietnam's heavy industry, they have contributed relatively little to the development of the food and other consumer goods industries that would support a higher standard of living; and where they have provided aid for light industry, it has been used mainly for the expansion of facilities to process agricultural commodities for export. Furthermore, the Bloc has invested only small amounts of aid funds in the expansion of agricultural production, the extension of health and educational facilities, and the improvement of housing conditions. US propaganda should stress that although the North Vietnamese people want more foodstuffs, more textiles, and more chemical fertilizers, the Bloc economic aid program has provided more capital machinery and equipment for new heavy industrial projects, more petroleum, and other industrial raw materials.

Almost three-fourths of total Bloc economic aid to North Vietnam has, in fact, been used for the reconstruction of basic productive facilities (including transportation facilities) and for net additions to heavy industrial capacity. Aid shipments of food and other consumer goods and Bloc assistance in the construction of light industrial projects have been secondary. For example, Soviet aid projects have included the following heavy industrial facilities: The Hanoi machine tool plant, the Lao Kay apatite mine, the Phu Tho superphosphate plant, and 6 electric power plants. The only 2 light industrial projects undertaken with Soviet aid have been the Haiphong fish cannery and the

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Phu Tho tea-processing plant. Similarly, most of Communist China's economic aid has been used to finance the reconstruction of North Vietnam's prewar transportation and communications network and the new construction of an iron and steel plant, several industrial chemical plants, and two electric power plants. (The Chinese have, however, also undertaken the construction of a few important light industrial projects, such as rice mills, sugar refineries, a knitted goods factory, and a rubber goods plant). Aid projects scheduled for construction under North Vietnam's First Five Year Plan (1961-65) reflect even more the overwhelming priority of heavy industry. Out of 75 total projects, 50 are to be in heavy industry, 6 in transportation or communications, and 19 in light industry. In total value, Bloc aid for heavy industry will be more than 3 times that for light industry. The specific aid projects that have been announced to date are listed in Appendix A.* They may be useful as examples in support of the general argument that Bloc economic aid has been of little direct benefit to the North Vietnamese people.

US propaganda on this subject may want to point out the striking difference in the pattern of imports supported by the Bloc and US economic aid programs. For example, whereas Bloc economic assistance to North Vietnam has consisted largely of shipments of complete plant installations, machinery and equipment, and industrial raw materials, US-financed imports into South Vietnam have been overwhelmingly consumer goods. Thus, our propaganda should indicate

* P. 48, below.

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that the Free World programs of economic assistance are of an entirely different nature from those of the Sino-Soviet Bloc. Whereas the US is concerned for the welfare of the people as well as the development of the economy, the other Bloc countries are interested only in the economic and military power position of the Bloc. Thus, US aid programs have financed large annual imports of food, clothing, paper products, and pharmaceuticals, whereas the Bloc countries have ignored the legitimate demands of the North Vietnamese people for an immediate improvement in the low standard of living and have restricted imports of consumer goods in favor of imports of investment goods.

US propaganda can reinforce the argument that Bloc economic aid has had no appreciable effect on living standards in North Vietnam by pointing out that this aid -- extended primarily in the form of credits -- has to be repaid in exports of agricultural and light industrial products. Because Bloc aid has mainly supported imports of investment goods for North Vietnam's industrialization program and because these goods must be paid for by the export of foodstuffs and other consumer goods, the over-all effect of the aid program has been to shift resources from consumption to investment. In the interests of rapid industrialization -- involving large annual imports of capital machinery and equipment, financed by Bloc credits -- the regime has thus committed North Vietnam to long-term exports of much needed consumer goods, thereby demanding continued sacrifice on the part of the North Vietnamese consumer for many years. Moreover, the investment has aimed at making North Vietnam strong politically and militarily rather than at ultimately bettering the lot of the consumer.

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B. Credits Rather than Grants

When it comes to boasting of "unselfish assistance," Soviet and Chinese Communist propaganda implies that Bloc economic aid to North Vietnam is given with no strings attached. Yet, in fact, Soviet and Chinese aid to North Vietnam has largely involved material and technical assistance for which a charge (repayment of the loan plus interest) has been made. Only about 40 percent of total Bloc aid to North Vietnam has consisted of free grants. Initially provided in the form of grants, economic aid since 1958 has consisted almost entirely of long-term credits; all of the aid extended in support of the Five Year Plan (1961-65) has been credit aid. In contrast, there has been no shift from grants to credits in the US aid program to South Vietnam. More than 90 percent of total US economic assistance to South Vietnam has been extended as grants-in-aid. Thus, another basic difference between the US and Bloc aid programs is that whereas the US has provided economic aid as a free gift, the Bloc countries have extended aid primarily in the form of credits that must be repaid in full, with interest. In the latter instance, although Bloc economic assistance has contributed importantly to North Vietnam's economic growth, it had also placed heavy demands on the economy. By 1965 North Vietnam's total indebtedness to the Bloc will amount to more than US \$500 million, the major part of which must be paid back within 10 years. The annual debt -- representing more than 10 percent of the 1961 state budget and more than two-thirds of the

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total value of exports in 1961 -- will constitute an excessive financial burden. Therefore, one can legitimately ask whether, in the coming years, this indebtedness will not be too high a price to pay for the gains acquired.

The Bloc decision to extend aid as credits rather than as grants rests on cold economic considerations. No matter how favorable the interest and repayment conditions of Communist loans may be, the lending countries each year receive partial repayment of the principal plus the interest accrued. Thus, the Soviet argument* that gifts are not in the best interests of the receiving country should be attacked as insincere. US propaganda on the subject of credits vs. grants must be handled with care, however. Experience has shown that the USSR has not always demanded repayment on loans extended to other Bloc countries, when financial difficulties have made this impossible. The Soviet cancellation of credits extended to North Korea during 1954-56, for example, has been well publicized with the Bloc and should be known to the North Vietnamese. On the other hand, the Bloc has not, to date, cancelled any of the economic credits extended to North Vietnam, although a major purpose of Premier Pham Van Dong's recent trip to the other Bloc countries was to request additional economic aid in the form of a cancellation of these earlier credits. In 1961 the USSR is believed not to have cancelled or even deferred repayment on long-term

* All transactions with the Bloc are deliberately represented in Communist propaganda as straight business. The commercial basis of the aid program is said to avoid the impression of an unequal relationship between a powerful and paternalistic contributing nation and a dependent and subservient recipient nation.

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credits incurred by the Chinese Communists, even though payment has been extremely difficult at a time of economic trouble in China. US propaganda should publicize this latter example of Soviet intransigence with respect to the repayment of economic loans.

The general propaganda theme that Bloc economic aid must be repaid in full, with interest, can be made even more effective by pointing out that repayment of Bloc credits must be made in exports of foodstuffs and other consumer goods (as discussed above). It should be underscored that the North Vietnamese will pay dearly (in terms of their standard of living) for imports of investment goods currently financed by foreign credits.

C. Deficiencies and Limitations in Bloc Economic Aid Programs

Imbalances and lack of planning in the Bloc aid program in support of North Vietnam's drive for industrialization can be effectively exploited by US propaganda. For example, the development of particular food industries in North Vietnam has not readily corresponded to the needs of the economy, the supply of raw materials, or the level of native technology. The tea processing plant at Phu Tho and the fish canning factory at Haiphong, both major Soviet aid projects, have produced products of poor quality and operated at considerably less than capacity because of inadequate and irregular supplies of raw materials* and

* For lack of tea leaves, the tea factory in 1960 was still operating at less than two-fifths of its rated capacity. Similarly, after almost 3 years in operation, the output of the fish cannery in late 1960 was only about 10 percent of its total capacity. Fishing in North Vietnam is too primitive to serve satisfactorily as the basis for modern fish processing facilities. A steady supply of fresh fish must await the adequate development of modern deep-sea fishing operations.

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the lack of adequately trained technicians.* Another emphasis of a foreign aid project that has not readily corresponded to the needs of the North Vietnamese economy is the Haiphong plasticware factory, built with Chinese Communist assistance. US propaganda might cite these three specific aid projects to show how, in many instances, Bloc economic aid to North Vietnam has been poorly planned, and therefore largely wasted.

US propaganda might also point out the institutional features of the Bloc economic aid program that have been deliberately designed to limit North Vietnam's free choice of goods imported under the aid program and its free choice of trading partners. In this regard, the restrictive Bloc economic aid program should be contrasted to the US economic aid program, which has allowed the recipient country considerable discretion in the use of aid funds. In every instance, Bloc economic aid to North Vietnam has been tied to the shipment of Bloc goods and the dispatch of Bloc technicians to North Vietnam -- in other words, Soviet economic assistance has meant the delivery of Soviet goods and services, just as East German economic aid has involved the shipment of only East German goods and services. In contrast, only about 15 percent of US economic aid to South Vietnam has consisted of direct shipments of goods and

* Interestingly enough, before both of these plants were built, there was a dispute between Soviet and non-Soviet foreign specialists in North Vietnam over the economic soundness of the two projects. Non-Soviet specialists argued that the investment would not be justified by the supply of fish and tea available (French researchers had previously concluded that not enough fish were available in Haiphong Bay to support a cannery). The two plants were nonetheless built, at Soviet insistence.

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services similar to those provided by the Sino-Soviet Bloc to North Vietnam. By far the greatest part of US economic aid has been indirect aid, which has involved the extension of dollar credits to the South Vietnamese government to pay for imports. In the open competition for South Vietnam's import market, US goods have competed freely with those of many other non-Bloc countries. During 1954-60, goods and services of US origin constituted only about 20 percent of the total value of South Vietnam's aid-financed imports. Since mid-1960 the US share of the market for aid-supported imports has increased to about 40 percent. Thus, our economic aid program has allowed the South Vietnamese considerable freedom in the choice of the supplier of its aid-supported imports, whereas the Bloc aid program has obligated North Vietnam to import goods and services only from the contributing Bloc country. In the latter instance, the DRV may have little opportunity to bargain for price and quality advantage and may thus be prevented from obtaining the maximum benefit from loan funds by purchasing the most suitable goods at the lowest prices available in world markets.

D. Aid as an Instrument of Foreign Control

An effective US propaganda theme would certainly be one suggesting that French colonialism was defeated in North Vietnam only to be replaced by a new kind of imperialism, that of the USSR and Communist China. Such a propaganda theme would appeal strongly to certain powerful sentiments in North Vietnam, such as the desire for economic independence and a respected status in international relations. Proudly independent and nationalistic, the North Vietnamese are sure to resent any suggestion of foreign economic control of their country.

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Throughout the whole of its history, Vietnam has always been aware of the ever present threat to her national independence from its powerful and demanding neighbor to the North. The attitude of most Vietnamese toward China -- one of strong dislike mingled with fear -- is the product of centuries of long experience. Having been twice annexed by China (remaining under Chinese domination for a thousand years on the first occasion but only for a short period of 20 years on the second), the North Vietnamese now jealously guard the right to govern and administer themselves without outside intervention. Thus US propaganda that suggests that Ho Chi Minh's commitment of North Vietnam to the Communist Bloc has opened the door to Soviet and Chinese Communist penetration should be effective in arousing public hostility not only against foreign elements in North Vietnam (such as the Bloc technicians and advisers) but also against the regime.

In particular, US propaganda should condemn the Bloc economic aid program as being a major instrument of foreign economic control. The North Vietnamese probably are not so naive as to believe that Bloc economic aid to North Vietnam is purely altruistic. Yet they have been favorably conditioned by Communist propaganda that stresses Soviet and Chinese willingness to help others, even when their own domestic economies could well use the additional resources. A major objective of US propaganda should be to promote the general suspicion that exploitation and economic domination are, after all, the real ulterior motives underlying the Bloc aid program. Certain features of the Bloc aid program, such as the extension of credits rather than grants, should

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be presented as having been deliberately designed to give the other Bloc countries maximum direct influence over economic planning and development in North Vietnam. It is important to emphasize that foreign economic assistance, by itself, does not necessarily imply exploitation or foreign economic control. Otherwise, the US economic aid program in South Vietnam also would be suspect. Rather, US propaganda should highlight those particular features of the Bloc economic aid program that give the other Bloc countries a measure of control over internal economic developments in North Vietnam that is unknown in US economic relations with, say, South Vietnam.

For example, the extension of credits rather than grants has assured the contributing Bloc countries of a long-term position of influence in North Vietnam. According to professed Soviet thinking, grants-in-aid are fundamentally unsuitable for forming long-term economic relations; the economic relations attendant thereupon are practically completed with the delivery of the goods comprising the gift. In the case of loans, on the other hand, economic relations continue over the entire time span of repayment, during which period the contributing Bloc countries reserve the right to adjust North Vietnam's repayment obligations at any time, according to the prevailing economic and political situation. As it is highly doubtful that the aid received by North Vietnam will sufficiently stimulate production of exportable commodities to permit the DRV to liquidate its indebtedness for a good many years, the other Bloc countries have effectively secured North Vietnam's continuing economic dependence for a long time.

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Restrictions on the import of aid goods have also allowed the contributing Bloc countries to exert considerable direct influence on economic developments in North Vietnam. Where the aid program has guaranteed the delivery of only Bloc goods and services, it has created a kind of derived dependence on the Bloc. For example, once Soviet equipment has been provided, spare parts will always be needed from the same source. Thus, every aid transaction has served as a nucleus of techniques or skills that are specific to the country of origin. In this manner, the Bloc economic aid program has made the North Vietnamese economy increasingly dependent on imports of Bloc goods and technical services, and thus increasingly vulnerable to external economic pressures from the Bloc.

Perhaps the most obvious of external economic controls has been the Bloc technical assistance program, which has involved the sending of several thousand technicians to North Vietnam from Communist China, the USSR, and the other Bloc countries. In 1957 alone, no fewer than 3,000 Chinese and about 1,000 Soviet technicians reportedly were working in North Vietnam. In 1961 perhaps one-half that number were still in the DRV. Acting in an advisory capacity to the various economic ministries and key technological commissions, foreign economic consultants have influenced in varying degrees the organization and character of virtually all of North Vietnam's development programs. Attached to specific economic and technological projects, these foreign technicians also have directed the daily operations of all its major industrial enterprises. The presence of a large number of Bloc advisers has thus become -- and is expected

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to remain -- an important factor in the economy. The North Vietnamese apparently resent this great influx of foreign advisers and technicians who are running a large portion of their economic affairs. US propaganda should be able to exploit these feelings of hostility by suggesting that economic development in North Vietnam -- planned and directed, as it has been, by foreign specialists -- has been overly responsive to the needs and requirements of the other Bloc countries, sometimes even to the sacrifice of North Vietnam's own economic interests.

US propaganda can lend substance to this general charge that the other Bloc countries are exploiting North Vietnam by pointing out those industries being developed with Bloc aid primarily for export to the Bloc.* (Begin CONFIDENTIAL) For example, Soviet advisers have been particularly active in the apatite mining industry at Lao Kay. Since the DRV still has no facilities for the conversion of apatite into superphosphate fertilizer, the total production of apatite is being exported, mainly to the USSR. The entire area in the vicinity of Lao Kay is even reported to be under the control of the USSR, which

* (Begin CONFIDENTIAL) The North Vietnamese would almost certainly be very sensitive to any suggestion that certain industries are being developed with Bloc aid primarily for export to the Bloc. The workers at the Haiphong Fish Cannery, a Soviet aid project, are even reported to have tried to sabotage the plant in late 1961, when they learned that all the output of canned fish was being reserved for export (End CONFIDENTIAL). 25X1A

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is conducting geological surveys for uranium in this area. As of late 1961, 280 Soviet specialists were reportedly directing mining operations at several of the 8 areas known to contain uranium deposits. Entry into these areas is apparently restricted to Soviet technicians only, not even North Vietnamese being allowed in, and all of the uranium ore is reportedly being shipped from Haiphong to the USSR (End CONFIDENTIAL). The most obvious example of foreign economic assistance extended to North Vietnam largely in the economic self-interest of the contributing Bloc country is the aid given by Communist China for the reconstruction of North Vietnam's rail lines. Since 1958, the Hanoi-Dong Dang and the Hanoi-Lao Kay lines have become almost integral parts of the rail system of China, transporting Chinese goods between K'un-ming in Southwest China and the main Chinese rail net in South China. Roughly two-thirds of the freight carried on these lines across the China-North Vietnam border in 1958-60 was Chinese freight in transit across North Vietnam. During 1961-65 the meter gauge (3 feet, 3 inches) of these same rail lines is to be widened -- with Chinese Communist and Rumanian aid -- to standard Chinese gauge (4 feet, 8-1/2 inches) to complete the integration of the two rail systems. The exceptional nature of this undertaking -- in which one country's railroad gauge is being changed at considerable cost to accomodate another country -- suggests the overriding interest of the Chinese in the project.

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E. Foreign Technicians

The presence of large numbers of Bloc advisers and technicians in North Vietnam has involved certain costs as well as benefits for the North Vietnamese economy. US propaganda should emphasize the high costs of the program, which consist essentially of the payment of high salaries to the foreign technicians, the provision of first-class living accommodations and board, the granting of free transportation services, and the furnishing of other side benefits compatible with the foreigners privileged employment status. All of these local operating costs of the program (not including salaries) must be borne by the North Vietnamese government. Only the salaries of the foreign advisers are included under technical assistance, and they, of course, must be repaid.

From the outset, Bloc technical and advisory groups have encountered hostility on the part of the North Vietnamese, stemming mainly from the latter's jealousies over the special treatment accorded Bloc personnel but aggravated in many instances, by the arrogance displayed by Soviet and Chinese Communist advisers in their dealings with their Vietnamese counterparts. US propaganda can hope to intensify the ill will between the two groups by attributing to the foreign technicians a general feeling of impatience and disdain for North Vietnamese abilities and by pointing up the high standard of living enjoyed by these foreign advisers at Vietnamese expense. To this end, it should publicize the withdrawal of most of the East German technicians from North Vietnam in late 1961 in protest

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against the general incompetency of the North Vietnamese in economic matters. (East Germany was the only European Satellite country not to extend economic credits to North Vietnam under the Five Year Plan (1961-65), bearing out its contention that the DRV is not capable of running its own economic affairs efficiently and therefore not worth aiding.) Our propaganda should, therefore, picture the life of the foreign adviser in North Vietnam as one of special privilege (as it actually is), in the midst of an underprivileged society. The following quotations from reports on foreign technicians in North Vietnam (actual descriptions of living conditions in 1955-61) are given as back-up information for this suggested propaganda theme. (They should not be quoted verbatim).

(Begin CONFIDENTIAL) "The Soviet technicians have used their very high pay to buy in great quantities the worthwhile things for sale in North Vietnam. One Soviet technician ordered 33 suits and 50 sweaters to be made of textile stocks left by the French."

"Although there is a housing shortage, the foreigners usually live in large villas or first class hotels. Even people who are living in their own homes are evicted to make room for foreign advisers. Government officials take over these homes offering excuses such as 'it is our duty to see that our friends live in comfort to work for our country.' The average foreign adviser's family has one or two women servants who act as the childrens' nurses, a cook, a gardener, a chauffeur, an interpreter, and a guard to watch the door. Delegation chiefs have their own cars, usually the luxurious Soviet ZIS-type automobile.

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"Advisers from the Bloc are not well dressed when they first arrive in North Vietnam, but it does not take them long to fit themselves out in clothing made of fine imported materials. Technicians leaving the country with suitcases bulging with choice items are a familiar sight to the native of Hanoi.

"The best-known summer resorts are reserved for the foreign delegations as vacation places; these include Cha Pa, Tam Dao, and Do Son. The Vietnamese must spend their vacations in remote places like Sam Son. Vietnamese outside of Hanoi have little contact with the foreign advisers.

"In June 1958 foreign advisers, technicians, and professional workers enjoyed the following monthly salaries: delegation chief, 5 million dong; technician, from 2 million to 3 million dong; professional worker and specialist, 1 million. If they lived in a hotel, the chief and the technicians got an allowance of from 30,000 to 50,000 dong a month for expenses, and the lower grades got 10,000 dong. In addition, the DRV supplied furniture, stationery, books, magazines, radios, soap, work clothing, cigarettes and refreshments in the offices, and even an allowance for hair cuts. Advisers and technicians paid only about 15,000 dong a month for food, and workers from 7,000 to 10,000 dong; for banquets and other special occasions, the DRV provided food and imported French wines. (In comparison to the above salaries paid to foreign advisers and technicians, a high-ranking DRV civil servant in June 1958 was paid from 40,000 to 60,000 dong a month; the chief of a city district, 40,000; the chief of a district security service, 30,000; a two-star general in the Army, 40,000; and a three-star general, 50,000.)" (End
CONFIDENTIAL)

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Thus the several thousand foreign advisers in North Vietnam are living in a manner that is not only far beyond the reasonable expectations of all but a few North Vietnamese but also is quite probably much above their own standard of living in their home countries. US propaganda should point out that the Bloc technical assistance program goes mainly into supporting the very high salaries paid to these foreign technicians, who also receive additional fringe benefits

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from the North Vietnamese government. Thus, the whole program of technical assistance is a costly one for the DRV, which must in time repay all the technical aid with exports of North Vietnamese goods and services and, in addition, meet all the current local operating costs of the program. For such expensive programs as this, it should be pointed out, the North Vietnamese people are being taxed excessively by the regime.

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Appendix A

Bloc Aid Projects Scheduled for Construction During 1961-65

Heavy Industry

Expansion of three electric power plants at Viet Tri, Thai Nguyen, and Co Dinh (Communist China)

Expansion of Co Dinh chromium mine (Communist China)

Establishment of iron mine at Linh Nam (Communist China)

Expansion of Thai Nguyen iron and steel plant (Communist China)

Construction of two blast furnaces at Thanh Hoa and Vinh (Communist China)

Construction of three cement plants between Haiphong and Hon Gay (Communist China)

Expansion of Haiphong cement plant (Communist China)

Expansion of a caustic soda factory (Communist China)

Construction of six electric power plants at Uong Bi, Thac Ba, Quang Cu, Lang Hit, Lao Van Chay, and Nam Han (USSR)

Expansion of two electric power plants at Lao Kay and Vinh (USSR)

Expansion of Hon Gay - Cam Pha coal mine (USSR)

Construction of two coal mines at Mao Khe and Dam Dau and an apatite mine (USSR)

Expansion of Hanoi Machine Tool Plant (USSR)

Construction of two machine tool plants (USSR)

Construction of 6 repair shops for mining equipment (2), motor vehicles (1), aircraft (1), electric motors (1), and telephones (1) (USSR)

Construction of a diesel engine factory (USSR)

Construction of a buoy factory (USSR)

Construction of an automobile accessories plant at Haiphong (USSR)

Construction of a chemical fertilizer factory (Rumania)

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Construction of a repair shop for mining equipment (Rumania)
Construction of a cement factory at Haiphong (Poland)
Construction of a brick factory (Poland)
Construction of a repair shop for locomotives and rolling stock at Gia Lam (Poland)
Construction of an electric power plant at Quang Binh (Hungary)
Expansion of Thanh Hoa Electric Power Plant (Hungary)
Construction of a factory for the manufacture of telecommunications equipment (Hungary)
Construction of a brick factory at Dap Cao (Czechoslovakia)
Installation of air conditioning at Nam Dinh Textile Mill (Czechoslovakia)
Construction of three electric power plants (Bulgaria)
Construction of a cement factory (Bulgaria)

Transportation and Telecommunications

Widening of Hanoi - Muc Nam Quan Railroad (Communist China)
Construction of a railway station at Yen Vien (Communist China)
Construction of rail and highway bridge at Ham Rong (Communist China)
Construction of an airfield at Vinh (Communist China)
Installation of modern telecommunications in several industries (USSR)
Widening of Lao Kay - Haiphong Railroad (Rumania)

Light Industry

Expansion of two sugar refineries at Nghe An and Viet Tri (Communist China)

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Construction of two new sugar refineries at Thai Nguyen and Quang Binh
(Communist China)

Expansion of Nam Dinh Textile Mill (Communist China)

Construction of a silk factory (Communist China)

Construction of three writing paper factories at Vinh, Thai Nguyen, Quang Binh
(Communist China)

Construction of a corn flour mill (USSR)

Construction of a cosmetic factory in Hanoi (USSR)

Construction of a pharmaceutical antibiotics factory (USSR)

Construction of a factory for production of household implements (Hungary)

Construction of a slaughterhouse (Hungary)

Construction of a tannery (Czechoslovakia)

Construction of a fruit cannery (Bulgaria)

Construction of two flour mills (Bulgaria)

Construction of a slaughterhouse (Bulgaria)